

Governor's Blue Ribbon Water Task Force

DRAFT Teleconference Notes September 23, 2005

Participants: Myron Armijo, Ray Benally, Larry Blair, Brian Burnett, Maryhelen Follingstad, John D'Antonio, Lisa Henne, John Leeper, Elmer Lincoln, Estevan Lopez, G.X. McSherry, Elmer Salazar, Karin Stangl, Tania Trujillo, Professor Craig White (UNM).

Economic Study of Navajo Nation Water Rights Settlement

The ISC is drafting a scope of work for the economic study of the settlement agreement that will be performed at least in part by the UNM Anderson Schools of Management. A comprehensive economic analysis is conceptualized as an "onion", which could include the following layers:

1. Economic impact of the construction components of the project
2. Potential impacts of having water available in San Juan basin and McKinley County
3. Impacts to state as a whole
 - a. Impacts and economic multipliers of construction
 - b. Certainty of water rights in the San Juan basin and Rio Grande basin for San Juan Chama contractors
4. Impact of no settlement
 - a. impact of trucking in water to Navajo Nation
 - b. health impacts
 - c. impact to Gallup of water supply being depleted
5. Colorado river basin impacts. This element of the analysis would be focused on supply impacts rather than economic impacts, and would take the form of a risk analysis in the absence of a settlement. The Navajo Nation could claim a water right greater than what New Mexico has under compacts and could impact all Colorado river basin states.

UNM can analyze the economic impacts of the construction components of the project (layer #1) as service work if there is sufficient information available. Any work beyond the first layer will require funding support. Dr. White commented that the first layer would be relatively straightforward, but the second and third layers would be harder to quantify without specific projects to analyze. Analysis related to income equalization and poverty reduction would need to involve experts from beyond the business school. The economic study will be done in phases, with the first phase needed in the short-term

to present with the video. Other “layers” of the study will be conducted as funding allows.

The Bureau of Reclamation has been doing an economic study of the project and has arrived at a benefit/cost ratio of >1. The Bureau’s analysis is structured within an EIA framework and does not capture indirect benefits. In contrast, the OSE/ISC study needs to show evidence of both direct and indirect economic benefits, and will be used to build public and congressional support. This purpose is somewhat different from that of an economic study conducted for a NEPA analysis. In order to avoid repeating work that has already been done, the Bureau study should serve as a starting point that would allow UNM to concentrate more on other aspects of the analysis. The draft Bureau study is probably available but not yet ready to be cited. Other entities have also conducted studies of the settlement and these studies conflict in the projected outcome. A subgroup of teleconference participants will be briefed on these studies to better define the scope for the ISC economic study. The scope will be finalized at the end of September.

Teleconference participants made the following comments related to the economic study:

- Other studies that include direct and indirect benefits of projects could serve as models for this study.
- The study needs to build supportive information, especially related to poverty issues. This project could help close the gap in per capita income and other quality of life indicators between the Navajo Nation and New Mexico. Presumably, if the community prospers, these indicators will improve. These changes should be captured as a benefit in the economic study.
- The impact of the settlement on quality of life indicators is important, but it will also be important to lay out the business case for this project, including the cost per meter, payback period, O&M costs, and how the project will be administered, run, and maintained. Some of those details are addressed in the settlement.
- The study needs to have a long-range projection – at least 40 years.
- It is important to be clear that this project does not take the water to each resident. It provides for delivery, not distribution, but creates the opportunity for distribution
- A question was asked about the sectors that would potentially benefit from the settlement, such as livestock. John D’Antonio explained that for M&I uses, this will be very expensive water (approximately \$5/1000 gal). It is projected that it will cost \$6/1000 gallons to cover capital costs and O&M. The Navajo Nation will be paying these costs. There is no prohibition against using the water for livestock, but no federal subsidy for agricultural uses.
- The timeline for construction is completion in 2022 at a cost of \$40M/year, but some components would be done in 2-3 years. Groundwater could be used to generate benefits within 5 years.
- People should come before money
- Certainty and predictability are very important and worth highlighting in the analysis.
- The project should be promoted as an engine to improve the Navajo Nation and entire state.

- The scope of work for the economic study should be crafted around the objectives and script for the video.
- The product needs to include a document that decision-makers can read and digest quickly.
- The benefits of the settlement to the state are easier to show than the financial benefits to the federal government. The settlement is on the radar for the House Resources Committee, but will have to go through the Water and Power subcommittee.
- Howard Hutchinson noted that the benefits of the settlement to Arizona will be very important to include in the study. Arizona decision-makers are reluctant to support the settlement unless all of the issues are resolved. The governor of Arizona wants to engage and start working out these issues. Howard will work at lower levels of government.

Video Production and Site Tour

Karin Stangl reported that she has been having weekly strategy meetings with representatives of the Navajo Nation and the City of Gallup. The Navajo Nation has committed \$15K for the media event and tour. The City of Gallup might contribute money toward a national media campaign. It would be best to have the media event before the congressional recess; however, scheduling the tour has been difficult. Several dates have been proposed for October and November .

The state has received funding for the video. The outline of the script is in progress and should be completed in the next couple of weeks. Hirst Cordova is doing the work on the video, and OSE/ISC is deferring to Hirst on the script development. Some interviews have been completed, including with John D'Antonio and Estevan Lopez.

Follow Up

Estevan Lopez will work on better defining the next layers of the economic study.

John Leeper will provide a summary to a subgroup of the Task Force of economic studies of the settlement that have already been conducted or are underway.

OSE staff will brief the Task Force on progress at the next scheduled meeting.